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Office of the
Auditor General
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Bureau du
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du Canada

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**DISCUSSION PAPER No. 69
CONSULTING KEY STAKEHOLDERS**

by C. W. WOODLEY

APRIL 1995



**DISCUSSION PAPER SERIES
DOCUMENTS DE DISCUSSION**

The attached paper has been prepared to stimulate thought and discussion regarding our audit activities. The views expressed are those of the author and therefore should not be construed as those of the Office.

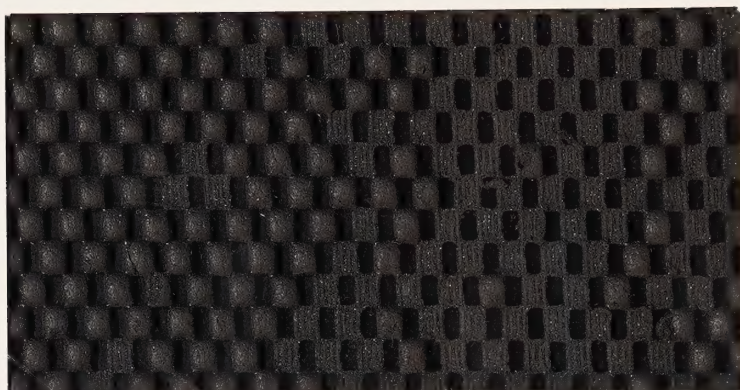
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AYS-2616

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Consultation with Key Stakeholders

1. Introduction

For our audits to be more useful and add more value, the subjects we select should take into account the views of key stakeholders. Some Audit teams have attempted to do this, but not every audit reaches its key stakeholders; not every consultation helps identify significant issues; and what is learned does not always get into our corporate memory. The Office needs to draw together varied experience and provide guidance — policy and some key success factors — to teams.

The purpose of this paper is to propose a strategy for consulting key stakeholders, after considering the main issues and some alternative ways of dealing with them. The main issues are:

- What should be the purpose and scope of consultation?
- Who are our key stakeholders?
- What forms should consultation take and how can results be incorporated into Office planning, as well as directed back to those whom we consult? and
- Who should consult?

The Strategic Framework is based on the premise that the Office would benefit from more regular, systematic, high-level contact with key stakeholders. Item B.1 suggests the Office should:

- (a) establish a process for consultations and tracking of issues identified; and
- (b) set up pilot consultation projects.

This paper deals with the first step, and action is already being taken on the second. A successful start was made last year with pilot consultations in several audits, and meetings were held with MPs and DMs.

2. Purpose and Scope of Consultation

Consultation has been defined as a continuum of interaction between government and groups in the private sector (or other stakeholders within or outside government). It ranges from, at one extreme, just listening to what stakeholders have to say, to acting upon jointly agreed solutions at the other extreme. In between, there is dialogue, debate and analysis...[Bryce-Lambert Forum]. The Government's Service to the Public Task Force defined consultation as a two-way process to seek the advice or opinion of someone.

But what are the subjects of consultation and what is their scope — how broad, past or future oriented, one-time or ongoing, formal or informal?

From the range of subjects we could consult about, one stands out: to help us interpret the *Auditor General Act* direction to report matters of significance. The greatest need is to deal primarily with Value-for-money (VFM) rather than our other three main product lines — public accounts, attest, and special examinations. Although the other three should not be excluded, they are perhaps better suited to specific feedback or evaluation approaches, such as those used for the Federal Government Reporting Study. The assumption made here is that we should concentrate on defining requirements for formal consultation to obtain opinions about the suitability of VFM audit products, looking both forward and backward. The need to deal with both the past and future arises because we will be talking to busy people who can't likely afford the time for separate meetings to suggest future issues, as well as to evaluate the usefulness of past issues audited. In any case, the two subjects are closely related.


At this point, it might be useful to distinguish between general Office level and specific audit level consultation:

- **General or Office-level Consultation.** The purpose of general consultation is to obtain advice about important national issues that should be selected especially for long-term audit attention, including cross-cutting (for example, sectoral, government-wide) issues. At the same time, it would be appropriate to ask about the usefulness of past products and issues.
- **Specific or audit-level Consultation.** Once a particular national issue or overall theme has been selected and an audit has been scheduled, the purpose of specific consultation is to obtain advice about the significant issues within that frame of reference. It is part of scoping the audit. At the same time, stakeholders could also be asked about any past issues in that field investigated in previous audits.

While these two types of consultation are related and could involve some of the same stakeholders, they are very different in purpose and reflect some movement away from "bottom-up" planning in the Office.

Another characteristic of consultation deserves mention when we are considering its purpose and scope. Since the late 1980s, governments have been criticized for not paying enough attention to the results of consultations they have initiated. To avoid this, the Office should make the objectives of consultation clear in advance. This could be done by telling participants what issues we think are significant, obtaining their reaction, and encouraging them to give us their own ideas too. A two-way exchange of information would be most productive.

We should not, however, make any commitments about acting on the information provided. Later on, but before audit work begins, I believe we have an



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obligation to inform those consulted as to what we have decided to focus on in our audits.

Recommendations

1. Consultation should focus on important issues for VFM audit attention, generally looking both forward and backward.
2. Two main purposes should be identified to guide consultations:
 - General (Office-level), strategic consultation to help identify important national, sectoral or government-wide issues, especially for long-term audit attention; and
 - Specific (audit-level) consultation, to help identify significant issues once an audit is scheduled.
3. Some key success factors for consultations should include:
 - establish clear objectives — clearly specify in advance what we will give and what we hope to receive;
 - define benefit for both parties;
 - do not make promises about what we will do with the information received, other than to consider it; and
 - provide feedback later on so that parties are informed about what we eventually decide to audit.

3. Who are the Office's Key Stakeholders?

Certain stakeholders are easy to identify while others are not. Parliamentarians and public servants are obviously important and clearly delineated; however, there is much more choice among representatives of the public and taxpayers in general.

The main stakeholders might be categorized into three groups:

- (a) Parliamentarians
 - Public Accounts Committee and their staff
 - Ministers
 - Liaison Committee of the House of Commons (made up of the chairs of the Standing Committees)
 - Other House standing committees and their staff, including the Research Branch of the Library of Parliament
 - Party caucus groups and research staff
 - MPs and their research staffs
 - Senators and their staffs

- (b) Public Servants
 - Clerk of the Privy Council
 - Secretary of the Treasury Board
 - Other deputy ministers
 - Public Service Unions

- (c) General and Specific Interest Groups that represent the Canadian People:
 - media
 - academics and "think tanks"
 - business
 - labour
 - provincial and private sector auditors, CCAF
 - an unlimited number of other specific interest groups.

Category (c) is problematic. Should we consult at all with Canadians directly? This is what elections are for. Should we consult with some institutions that claim to represent them or lead them? There are many to choose from, and no easy way to set limits or judge the extent to which they involve the Canadian people in the positions they take. One approach would be to find out from our audit entities who they consider to be their key stakeholders, but that might miss some important umbrella organizations. In this regard, a useful source of information was the list of organizations registered with the government as lobbyists. Some "umbrella" organizations on that list are:

- Canadian Tax Foundation
- Canadian Manufacturers Association
- Public Policy Forum
- Canadian Labour Congress
- Canadian Federation of Municipalities
- Canadian Federation of Independent Business
- Association of Universities and Colleges of Canada
- Advisory Council on the Status of Women

At the level of general consultation, some of these umbrella organizations might help the Office decide what are broad national matters of significance. Also important are the PAC Steering Committee and the Liaison Committee of the House of Commons, the Secretary of the Treasury Board, and the Clerk of the Privy Council. There are also other candidates, such as the Parliamentary Press Gallery and Public Service Unions.

At the level of specific consultation, the direct clients of major government programs would be considered key stakeholders, although we can't consult with them all. Beyond direct clients, there are other groups and individuals like unions and suppliers who win and lose a great deal because of the existence of some government programs, but it is difficult to assess how much they are affected. This suggests the practicality of each audit team deciding who and how to consult, taking into account factors such as the extent that the government is already consulting with them.

The list of government lobbyists may again provide some help. It includes a myriad of more limited pressure groups or so-called opinion leaders who claim to represent parts of the body politic, such as the Assembly of First Nations, Canadian Federation of Agriculture and the Canadian Petroleum Association. These might be considered key stakeholders for particular audits.

Recommendations

1. Key stakeholders for general (Office-wide) consultation should include, as a minimum, the Steering Committee of the Public Accounts Committee, the Liaison Committee of the House of Commons, the Clerk of the Privy Council, and the Secretary of the Treasury Board.
2. Because the people of Canada are our ultimate clients, contacts should be explored with some potential umbrella organizations like the Public Policy Forum and others from list 3.c. above.
3. Key stakeholders for specific audits should include the appropriate standing committees, the ministers and deputies of the departments directly involved or affected, and the main interest groups affected by the program or issue area audited, as far as the audit team is able to determine who these groups are.

4. What Form Should Consultation Take (When/How/How Often)?

The range of consultation currently includes:

- formal and informal meetings with parliamentarians, committee staff, and senior public servants, to seek general views on past reports and future plans;
- informal discussions and interviews during the audit overview — such as those held with stakeholders of the Atomic Energy Control Board — to obtain advice about potential issues and advisors;
- seminars, symposia and other systematic discussions with representative stakeholders during the survey, such as the Colloquium on Deficits and Debt, and the Delphi Panel used by the Revenue Canada audit team;
- formal and informal surveys of clients during the examination;
- post-audit reviews of completed work (very few examples are known so far); and
- advisory committees at all stages of the audit.

Most of the experience gained to date has been of the informal "bottom-up" variety, initiated by principals within the context of a specific audit that is under way. With one or two exceptions consultation has seldom influenced the decision to start an audit. Yet the satisfaction (or otherwise) of key stakeholders of government programs should be a factor in selecting audit subjects that can "make a difference". Thus it would make sense to seek input from key stakeholders not just after an audit starts, but as part of the long-term entity planning.

For general consultation, there is merit in having some continuity by consulting with the same groups and individuals for several years. This could be partly accomplished by scheduling regular annual meetings with certain groups like the PAC Steering Committee and key deputy ministers. For other groups, less frequent meetings, perhaps every two years, would be sufficient. The Swedish National Audit Office is trying this, for example, with the media.

One suggestion is to create an overall VFM panel of senior advisors to the Auditor General, perhaps to review the main priority themes in the light of new input from entity teams and the annual environmental assessment. There is merit in trying to tap into the views of ordinary Canadians, rather than umbrella groups or special interest groups that purport to represent them. Nevertheless, it would be asking a lot of the chosen individuals to compare the audit worthiness of the wide variety of social and economic programs provided by government. And, as previously noted, it might be hard to achieve fairness and balance in the composition of the panel (as every Prime Minister discovers in putting together a Cabinet).

The most cost-effective source of advice would probably be for the Planning Group in the Office and for each entity team to initiate consultations with selected key stakeholder groups. Those carrying out the environmental assessment would organize consultations with general interest groups, and entity teams could organize consultations with the specific interest groups. Plans should be prepared and Executive Committee approval should be obtained before proceeding. The results would be incorporated into the Office Planning exercise or directed to the Executive.

The views of some pressure groups and other high-profile organizations (for example, "think tanks" like the Fraser Institute) can be obtained by other means than direct consultation — for example, from their publications. Some of these organizations seek annual audiences with the PM or Cabinet and often make available copies of their submissions. If their views are important for particular audits, they can be and often are obtained via participation on advisory committees or from specific consultations.

For specific consultations, it would make sense to allow more flexibility as to who does it and how it is done. But if matters of general interest arise from these discussions, hopefully they could be incorporated into Office planning. One way of doing that is to follow the GAO practice of asking staff to send around a "contact memo" whenever they learn something potentially of general interest from a stakeholder.

Recommendations

1. Regular consultations by the Executive should be scheduled with key stakeholder groups like MPs, DMs, and perhaps others like the media.
2. Specific meetings should be scheduled by the Planning Group and entity teams with umbrella organizations like the Public Policy Forum and major interest groups like the Canadian Federation of Agriculture.
3. Results of consultations should be incorporated into the Office strategic planning exercise; and the Executive and Reports Steering Committees, as well as PX meetings should be briefed about any significant findings from consultations.
4. Specific consultations should be left to the discretion of the individual audit teams, as long as the Office is advised of issues arising that have broader relevance. A contact memo could be used for this purpose.
5. Some key success factors for a successful consultation process should include:
 - start on a pilot basis and keep the number of initial contact groups or organizations as small as possible;
 - be representative (select a defensible sample/group of people within each organization or category, with a rationale for those left out as well as those included);
 - keep focussed (on the most important issues);
 - have an ongoing approach if possible(not one-time);
 - be systematic (use a defensible methodology and simple standard questions, giving all an equal chance to provide input); and
 - those responsible for the consultation should determine the frequency.

5. Who should Consult? The AG, DAGs, AAGs and PXs

(a) General Consultation

The primary responsibility for this type of consultation should properly be assigned to those involved in strategic planning in the Auditor General's Office and the Planning and, Reports Group. The PX, Parliamentary Liaison, would be the logical person to organize consultations with parliamentarians. The PX, Strategic Planning would be responsible for governmental contacts as part of the environmental assessment.

For key stakeholders identified above, the Auditor General likely would be involved and personally select any others.

(b) Specific Consultation

The responsibility for this level of consultation should properly rest with the person responsible for the audit. For special interest groups — for example, native organizations, business pressure groups — that need to be consulted for particular audits, a plan should be prepared for this consultation to take place during the survey, or over a period of years depending on the audit cycle. The PX responsible for each entity or program area in the Office should draw up a list of significant stakeholders. The approach should be approved by the AAG as part of the normal audit planning process.

In general, the Office should encourage teams to proceed with the consultation, and inform the rest of the Office of the results as appropriate. If teams think a particular individual or group should be consulted regularly or on broader issues, they could make this proposal to the Executive.

While this paper deals specifically with formal consultation, it would be useful if some informal or casual contacts were documented by a "contact memo" (as the GAO does with all congressional contacts). This procedure could be reserved for particularly sensitive or important cases. It could be the responsibility of those doing the annual environmental assessment to summarize the contact information received from specific audits in the past year.

Recommendations

1. The Auditor General should approve the assignment of lead responsibilities involved in key stakeholder consultations with parliamentarians and the executive of the public service.
2. The Executive Committee should approve experiments in general consultation with, for example, unions and media.
3. Consultations with other interest groups should be approved as part of the normal audit planning process.

Conclusion

A cautionary note: Consultation can become very resource intensive. We can do a better job of consulting the parliamentary and public service stakeholder groups that we have always recognized, and we can certainly do better in consulting the specific interest groups whose importance we have not always recognized. However, we should not overcompensate for past inactivity by devoting too much time or effort to input from the latter groups and less to the other stakeholder groups.

DRAFT GUIDANCE

Note: The CAM says very little about consultation now. Section 2007 — Understanding the Audit Entity — mentions "clients" once. It should be strengthened to say that knowing who are the clients is an essential part of understanding the audit entity. The following policy should be inserted in Section 3007. The purpose of the guidance is to encourage consultation, within certain boundaries, and help PXs consult more effectively, getting to better issues more quickly.

*** CAM Policy on Consultation with Key Stakeholders ***

Senior management of the Office should consult (reach out as opposed to just respond to) key stakeholder groups regularly and systematically. The results of such consultations should be used in planning audits to identify significant issues cost effectively and quickly. Key stakeholders should generally be asked about potential audit themes or issues, and about completed Office products at the same time.

Lead responsibilities are assigned as follows:

PAC	Auditor General and PX Parliamentary Liaison
Other parliamentary committees	AAG + Entity PX
MPs	PX Parliamentary Liaison
Broad interest/umbrella organizations	PX Strategic Planning
Departments and other audit entities	Entity PX
Special interest groups/program clients	Entity PX
Media	Head, Public Affairs
Other auditors/audit organizations ...	AAG Professional Practice and Review, FRLs
International	AAG Professional Practice and Review, PD

*** Elaboration of Policy in CAM ***

For our audits to be more useful and add more value, the subjects we select should take into account the views of key stakeholders. Consultation has been defined as a continuum of interaction between government and groups in the private sector (or other stakeholders within or outside government). It ranges from, at one extreme, just listening to what stakeholders have to say, to acting upon jointly agreed solutions at the other extreme. In between, there is dialogue, debate and analysis...[Bryce-Lambert Forum].

Those identified above are responsible for determining the extent and type of consultation they think is reasonable, for developing a plan and carrying out consultation with their stakeholder groups and, to the extent they deem necessary, for documenting and sharing information gained.

As a courtesy, other staff should advise the lead individual above if they wish to consult within any of the areas listed.

There will undoubtedly be overlaps and thus need for consultation and co-operation among those responsible, for example, in identifying broad national organizations, and in consulting other national audit offices.

Those identified as responsible require no advance approval for consultation except when dealing with parliamentary committees (consult PLO Mark Hill first) or when sending a questionnaire to individuals or members of the general public (consult survey FRL).

Entity PXs should have a plan for consulting the three key stakeholder groups of Parliament, government and the public. The plan should be approved by the AAG. The plan might include:

- (a) reviewing and summarizing parliamentary references and key committee minutes;
- (b) establishing a relationship with standing committee research staff;
- (c) establishing a relationship with key entity personnel and learning the extent of their consultations with key stakeholders;
- (d) reading papers from key pressure or interest groups; and
- (e) reviewing press clippings and press releases.

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